

Message Text

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ACTION SS-25

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 6386

C O N F I D E N T I A L CAIRO 8984

EXDIS

E.O. 11652: GDS

TAGS: USEGJC EAID IBRD

SUBJECT: EMERGENCY ASSISTANCE TO EGYPT:

AID CONSULTATIVE GROUP

REF A. STATE 212286N B. CAIRO 9001

1. IN CONTEXT OF CONVERSATION WITH ABOUL NASR, UNDERSECRETARY IN MINECON/ECON COOP REPORTED SEPARATELY (REFTEL B) MENTION WAS MADE BY ECON COUN OF CONCERN AMONG DONORS OVER ABSENCE OF EVIDENCE OF PROGRESS IN CORRECTING CAUSES OF ECONOMIC DIFFICULTIES FACING EGYPT. AS RELATED MATTER, NASR WAS AKSED WHETHER GOE WAS STILL CONSIDERING INVITING AN IBRD TEAM TO COME IN TO ADVISE ON MEASURES TO BE TAKEN AS HAD BEEN PROPOSED DURING VISIT OF BENJENK EARLIER THIS YEAR.

2. NASR SAID THAT HE PERSONNLY DID NOT THINK SO. IN CONVERSATIONS IN WASHINGTON, MIN SHAFEI AND OTHERS MAY HAVE FELT CONSTRAINED TO INDICATE SOME EGYPTIAN WILLINGNESS IN THIS RESPECT (EMBOFF SAID HE HAD HEARD SOMETHING ABOUT THAT), BUT HE DOUBTED THAT IT WAS AN OFFICIAL POSITION. GOE HAS ALWAYS DISLIKED CONSORTIUM CONCEPT BECAUSE OF POLITICAL IMPACT OF ECONOMIC STEPS THAT MIGHT BE IMPOSED AND IT WOULD BE PARTICULARLY DIFFICULT TO ACCEPT AT THIS TIME.

3. COMMENT: EMBASSY SHARES THIS ASSESSMENT OF IMPORT OF SHAFEI'S COMMENTS. IN CONTEXT OF WASHINGTON MEETINGS IT WAS PERHAPS THOUGHT POLITIC TO WELCOME IDEA WITH APPROPRIATE
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MINISTERIAL CONSULTATION CAVEAT, BUT IT IS UNLIKELY THAT AN ABRUPT

CHANGE IN GOE'S POSITION ON CONSORTIUM ISSUE WOULD BE COMMUNICATED IN THIS MANNER. HOWEVER, WE KNOW THAT UNDERSECRETARY EL-NAZIR HAS LONG SUPPORTED CONCEPT OF IBRD TEAM, WHICH MAY ALSO BE PERSONAL VIEW OF SHAFEL.

4. EMBASSY CONSISTENTLY URGED AT ALL LEVELS THAT EGYPT ACCEPT OFFER OF IBRD ROLE IN SUGGESTING WAYS TO DEAL WITH UNDERLYING ECONOMIC PROBLEMS, WHICH THUS FAR HAVE SHOWN NO SIGN OF GOING AWAY BY THEMSELVES. GOE REISTANCE TO PROPOSALS HAS BEEN FIRM AND APPEARS TO REPRESENT MINISTERIAL LEVEL POSITION.

5. IMF PARTICIPATION WOULD BE A WELCOME ADDITION TO OUR EFFORTS TO BE OF HELP. AS FAR AS WE KNOW, HOWEVER, FUND IS STILL HELD IN LOW ESTEEM IN CAIRO FOR REASONS WITH WHICH DEPT IS FAMILIAR. ABONDONMENT OF REQUIREMENT FOR DEVALUATION WOULD CERTAIN REMOVE ONE OF MAJOR CONTENTIONS IN PAST RELATIONSHIP, BUT OTHER STIPULATIONS (REDUCTION IN SUBSIDIES, RATIONALIZATION OF PRICE STRUCTURE, REDUCED RELIANCE ON SHORT TERM CREDITS) WOULD LIKELY STILL PREVENT FULL COOPERATION AND PARTICIPATION.

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